

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6956

BILL NUMBER: SB 391

DATE PREPARED: Mar 28, 2002

BILL AMENDED: Feb 1, 2002

SUBJECT: Construction in Process Assessment.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: (Amended) This bill provides with respect to certain taxpayers that the assessed value of personal property construction in process for the March 1, 2002, assessment date is 10% of cost, and that payments under certain agreements with redevelopment commissions are enforceable in the same manner as property taxes.

Effective Date: January 1, 2002 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under the former personal property assessment rules, *construction in process* (CIP) was assessed at 10% of cost through the March 1, 2001, assessment date. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. This bill would set the assessment percentage of CIP back to 10% of cost for a taxpayer in Union Township, Whitley County, that will have more than \$190 M in cost of CIP on March 1, 2002.

A cost of \$190 M translates into an assessed value of \$19.0 M at 10% or \$165.3 M at 87%. This bill would result in an assessed value reduction of at least \$146.3 M (\$165.3 M new assessment less \$19.0 M old assessment). This property is located in a Tax Increment Financing (TIF) district. The AV reduction would cause an estimated reduction in TIF proceeds of about \$2.3 M to \$3.3 M in CY 2003. This analysis assumes that the effect of the new real and personal property assessment rules on tax rates in this location will be the same as the estimated statewide effects.

State Agencies Affected: Department of Local Government Finance (State Tax Board).

Local Agencies Affected: Whitley County and Union Township assessors.

Information Sources: Local Government Database.